

A.11-07-008

Concurrence of Mark J. Ferron on Item 51 - Application of Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company for Authority to Increase Electric Rates and Charges to Recover Costs of Research and Development Agreement with Lawrence Livermore National Laboratory for 21st Century Energy Systems.

Colleagues,

I will be supporting this item, but I do have some concerns that I would like to articulate now.

There is no question that the Lawrence Livermore National Laboratory is an esteemed institution. I was impressed by the individuals I met while visiting the Lab and with the high standards they hold for their research. This application identifies several broad areas of research that span electric and gas systems as well as cyber security, where I believe that the Lab could provide valuable research that would be in the public interest.

That said, there is also no question that the California Energy Systems of the 21st Century (or CES-21) application is open-ended. The decision relies heavily on the applicant's "illustrative examples" to conclude that there will be benefits to ratepayers. I do wonder why the parties have been unable or unwilling to provide specific research proposals for consideration, especially since the Joint Applicants must file the Cooperative Research and Development Agreement, along with the proposed implementation plan, within 90 days of the adoption of this decision. How can you be ready to submit a reasoned business case for a project 3 months from now, but have no details on this project today? This is simply baffling.

To compound this, the proposed governance structure in the PD does not include any CPUC voting members. Rather, the voting members are academics and the utilities, with non-voting members representing our Energy Division, the Energy Commission, and the CAISO. It is essential that we have sufficient oversight to ensure that we get value for our ratepayers' money. I believe that research projects must be subjected to a thorough review *before* they start. As in all applications, the applicants have the burden of justifying why we should fund this research before we do so.

This is why I appreciate ALJ Sullivan and President Peevey's upgrade to a Tier 3 advice letter process, which assures that we, Commissioners, will be able to review project specifics, timelines, goals and budgets. In addition, in my mind, the criteria for reviewing the business plans presented in an advice letter must be specific and rigorous. ALJ Sullivan has made other changes to the PD to the advice letter review criteria that I strongly support.

Like other CPUC programs and R&D contracts, it will require significant effort from our Energy Division to make this research program effective. Where possible, the research should facilitate our decision making and align with timelines of the Commission's other research programs. For example, if analysis is done on renewable integration, the inputs should be consistent with those used by Energy Division. And

the timing should align with our LTPP proceeding and CAISO's integration analysis so the research can be considered in our determination of system needs.

I encourage Energy Division Director, Ed Randolph, to consider ways to ensure this program is just as valuable as other uses of ratepayer money. Involving the staff both during the development of the business case and while the research is being conducted will help in this process.

On this note, I think all Commissioners are aware of the resource constraints on our Energy Division staff. While I know they are quite capable, I am very reluctant to add to their workload without giving them the support they need to implement the numerous programs we oversee. We need to be careful that we have sufficient resources to review thoroughly the projects coming out of CES-21 without "crowding out" the other vital activities of Energy Division.

I also encourage Lawrence Livermore to keep Commissioners regularly informed of your progress and to engage our staff throughout the development of the business plans. This will facilitate a smooth review of the advice letters.

So while I do believe the CES-21 program is, on balance, a benefit to the state of California, I think we need to watch the projects that get approved like hawks, to maximize the program's value. I have no doubt that Lawrence Livermore is capable of quality, innovative analysis. I will be happy to support valuable projects, particularly those that can help relieve staff workload pressures, rather than add to them, by filling in gaps and moving resource planning and safety forward.

Thank you to ALJ Sullivan for considering my suggestions both to make the review of the projects more robust and to reduce the implementation workload for our staff. I also thank President Peevey's advisor, Audrey Lee, for her collaboration with our office. I will be supporting this item and reserve the right to file a concurrence.

Dated December 20, 2012, at San Francisco, California.

/s/ MARK J. FERRON

Mark J. Ferron
Commissioner